
HOUSE BILL No. 1840

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-3-11; IC 6-3.5.

Synopsis: School tuition organization tax credit. Provides an adjusted gross income tax credit to individuals and married couples filing joint returns for charitable contributions to organizations that provide tuition scholarships for children attending nonpublic schools.

Effective: January 1, 2006.

Noe, Behning, Harris

January 25, 2005, read first time and referred to Committee on Education.

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First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

HOUSE BILL No. 1840

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3-3-11 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2006]: **Sec. 11. (a) As used in this section,**
4 **"dependent" has the meaning set forth in Section 151(c)(1)(B) of**
5 **the Internal Revenue Code.**

6 **(b) As used in this section, "low income family" means a family**
7 **whose family income does not exceed two hundred percent (200%)**
8 **of the federal income poverty level for the same size family.**

9 **(c) As used in this section, "qualified nonpublic school" means**
10 **a nonpublic school (as defined in IC 20-10.1-1-3) that:**

11 **(1) is a preschool, an elementary school, or a secondary**
12 **school;**

13 **(2) does not discriminate on the basis of race, gender, color,**
14 **familial status, or national origin; and**

15 **(3) agrees to accept students who receive scholarships from a**
16 **school tuition organization.**

17 **(d) As used in this section, "qualified nonpublic school expense"**



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means an expense for:

- (1) tuition;
- (2) academic instruction, including instructional materials, in the core curriculum areas of language arts, mathematics, science, social studies, or foreign language; or
- (3) school transportation.

(e) As used in this section, "qualified taxpayer" means:

- (1) an individual filing a single return; or
- (2) a married couple filing a joint return.

(f) As used in this section, "school tuition organization" means a charitable organization in Indiana that meets the following requirements:

(1) Is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

(2) Allocates at least ninety percent (90%) of its annual revenue for scholarships to pay qualified nonpublic school expenses of students who attend qualified nonpublic schools.

(3) Provides scholarships for more than one (1) nonpublic school.

(4) Files an annual financial report with the department of education established by IC 20-1-1.1-2 that:

(A) the department of education makes available to the public free of charge; and

(B) contains the following information:

(i) The total dollar amount of donations the school tuition organization received during the preceding year.

(ii) The total dollar amount the school tuition organization awarded in scholarships or tuition grants to individuals during the preceding year.

(iii) Qualifications, if any, that the school tuition organization requires for an individual to receive a scholarship or tuition grant, including grade level and family income qualifications.

(5) For school years that begin before July 1, 2010, gives preference to children of low income families in awarding scholarships and tuition grants.

(g) A qualified taxpayer may claim a credit against the adjusted gross income tax imposed by IC 6-3-1 through IC 6-3-7 for the taxable year in an amount (subject to the applicable limitations provided by this section) equal to the total amount of charitable contributions:

- (1) made by the qualified taxpayer during the year to a school

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1 tuition organization; and

2 (2) not designated by the qualified taxpayer to be used for the
3 direct benefit of a dependent of the qualified taxpayer.

4 (h) The amount allowable as a credit under this section for any
5 taxable year may not exceed five hundred dollars (\$500) in the case
6 of a single return or six hundred twenty-five dollars (\$625) in the
7 case of a joint return. However, a husband and wife filing separate
8 returns may not claim credits under this section that when
9 combined exceed the amount allowed for a husband and wife filing
10 a joint return.

11 (i) The credit under this section may not exceed the amount of
12 the adjusted gross income tax liability imposed by IC 6-3-1 through
13 IC 6-3-7 for the taxable year, reduced by the sum of all credits (as
14 determined without regard to this section) allowed by IC 6-3-1
15 through IC 6-3-7.

16 SECTION 2. IC 6-3.5-1.1-18 IS AMENDED TO READ AS
17 FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 18. (a) Except as
18 otherwise provided in this chapter, all provisions of the adjusted gross
19 income tax law (IC 6-3) concerning:

- 20 (1) definitions;
- 21 (2) declarations of estimated tax;
- 22 (3) filing of returns;
- 23 (4) remittances;
- 24 (5) incorporation of the provisions of the Internal Revenue Code;
- 25 (6) penalties and interest;
- 26 (7) exclusion of military pay credits for withholding; and
- 27 (8) exemptions and deductions;

28 apply to the imposition, collection, and administration of the tax
29 imposed by this chapter.

30 (b) The provisions of IC 6-3-1-3.5(a)(6), IC 6-3-3-3, IC 6-3-3-5,
31 **IC 6-3-3-11**, and IC 6-3-5-1 do not apply to the tax imposed by this
32 chapter.

33 (c) Notwithstanding subsections (a) and (b), each employer shall
34 report to the department the amount of withholdings attributable to
35 each county. This report shall be submitted annually along with the
36 employer's annual withholding report.

37 SECTION 3. IC 6-3.5-6-22 IS AMENDED TO READ AS
38 FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 22. (a) Except as
39 otherwise provided in subsection (b) and the other provisions of this
40 chapter, all provisions of the adjusted gross income tax law (IC 6-3)
41 concerning:

- 42 (1) definitions;

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- (2) declarations of estimated tax;
- (3) filing of returns;
- (4) deductions or exemptions from adjusted gross income;
- (5) remittances;
- (6) incorporation of the provisions of the Internal Revenue Code;
- (7) penalties and interest; and
- (8) exclusion of military pay credits for withholding;

apply to the imposition, collection, and administration of the tax imposed by this chapter.

(b) The provisions of IC 6-3-1-3.5(a)(6), IC 6-3-3-3, IC 6-3-3-5, **IC 6-3-3-11**, and IC 6-3-5-1 do not apply to the tax imposed by this chapter.

(c) Notwithstanding subsections (a) and (b), each employer shall report to the department the amount of withholdings attributable to each county. This report shall be submitted along with the employer's other withholding report.

SECTION 4. IC 6-3.5-7-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 18. (a) Except as otherwise provided in this chapter, all provisions of the adjusted gross income tax law (IC 6-3) concerning:

- (1) definitions;
- (2) declarations of estimated tax;
- (3) filing of returns;
- (4) remittances;
- (5) incorporation of the provisions of the Internal Revenue Code;
- (6) penalties and interest;
- (7) exclusion of military pay credits for withholding; and
- (8) exemptions and deductions;

apply to the imposition, collection, and administration of the tax imposed by this chapter.

(b) The provisions of ~~IC~~ IC 6-3-1-3.5(a)(6), IC 6-3-3-3, IC 6-3-3-5, **IC 6-3-3-11**, and IC 6-3-5-1 do not apply to the tax imposed by this chapter.

(c) Notwithstanding subsections (a) and (b), each employer shall report to the department the amount of withholdings attributable to each county. This report shall be submitted annually along with the employer's annual withholding report.

SECTION 5. [EFFECTIVE JANUARY 1, 2006] **IC 6-3-3-11, as added by this act, applies only to taxable years beginning after December 31, 2005.**

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